

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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TOWNSHIP OF POWELL

BIG BAY, MICHIGAN

Year ended March 31, 2004

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Powell Township</b>	County <b>Marquette</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>8/13/04</b>	Date Accountant Report Submitted to State: <b>8/17/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised **AUG 19 2004**
2. We are certified public accountants registered to practice in Michigan.

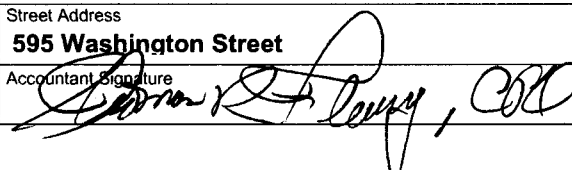
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Thomas R. Fleury, C.P.A.</b>			
Street Address <b>595 Washington Street</b>		City <b>Ishpeming</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49849-0267</b>	Date <b>8/17/04</b>

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INDEPENDENT AUDITORS' REPORT

August 13, 2004

The Honorable Supervisor and Members  
Township of Powell Board  
Big Bay, Michigan

I have audited the accompanying general purpose financial statements of the TOWNSHIP OF POWELL as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above, present fairly, in all material respects, the financial position of the TOWNSHIP OF POWELL at March 31, 2004, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Powell. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

  
Certified Public Accountant

## TOWNSHIP OF POWELL

COMBINED BALANCE SHEET -  
ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

	Governmental Fund Types	
	General	Special Revenue
<b>ASSETS</b>		
Cash on hand and in banks	\$ 50,369	\$ 198,287
Investments	332,673	-
Receivables:		
Delinquent taxes	20,439	-
Accounts	-	-
Due from other funds:		
General Fund	-	7,364
Trust and Agency	286	-
Current Tax Account	54,889	-
Water Fund	28,055	-
Sewer Fund	8,333	-
Restricted assets	-	-
Fixed assets - net of depreciation	-	-
Construction in progress	-	125,919
Amount to be provided for retirement of long-term debt	-	-
	-----	-----
<b>TOTAL ASSETS</b>	<b>\$ 495,044</b>	<b>\$ 331,570</b>
	=====	=====
<b>LIABILITIES AND FUND EQUITY</b>		
Accounts payable	\$ 3,041	\$ 1,666
Accrued interest payable	-	-
Due to other funds:		
General Fund	-	-
Special Revenue Fund	7,364	-
Sewer Fund	-	3,309
Due to other governmental units	-	-
Bonds and notes payable	-	140,000
	-----	-----
<b>TOTAL LIABILITIES</b>	<b>\$ 10,405</b>	<b>\$ 144,975</b>
<b>FUND EQUITY</b>		
Investment in general fixed assets	\$ -	\$ -
Contributed capital	-	-
Retained earnings:		
Reserved	-	-
Unreserved	-	-
Fund balances	484,639	186,595
	-----	-----
<b>TOTAL FUND EQUITY</b>	<b>\$ 484,639</b>	<b>\$ 186,595</b>
	-----	-----
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 495,044</b>	<b>\$ 331,570</b>
	=====	=====

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise Funds	Trust and Agency			
\$ 39,468	\$ 95,172	\$ -	\$ -	\$ 383,296
-	-	-	-	332,673
-	-	-	-	20,439
5,889	-	-	-	5,889
-	-	-	-	7,364
-	-	-	-	286
-	-	-	-	54,889
-	-	-	-	28,055
3,309	-	-	-	11,642
21,720	-	-	-	21,720
305,540	-	367,500	-	673,040
-	-	-	-	125,919
-	-	-	-	-
-----	-----	-----	-----	-----
\$ 375,926	\$ 95,172	\$ 367,500	\$ -	\$ 1,665,212
=====	=====	=====	=====	=====
\$ -	\$ -	\$ -	\$ -	\$ 4,707
3,516	-	-	-	3,516
36,388	55,175	-	-	91,563
-	-	-	-	7,364
-	-	-	-	3,309
-	39,997	-	-	39,997
143,000	-	-	-	283,000
-----	-----	-----	-----	-----
\$ 182,904	\$ 95,172	\$ -	\$ -	\$ 433,456
\$ -	\$ -	\$ 367,500	\$ -	\$ 367,500
223,300	-	-	-	223,300
21,720	-	-	-	21,720
( 51,998)	-	-	-	( 51,998)
-	-	-	-	671,234
-----	-----	-----	-----	-----
\$ 193,022	\$ -	\$ 367,500	\$ -	\$ 1,231,756
-----	-----	-----	-----	-----
\$ 375,926	\$ 95,172	\$ 367,500	\$ -	\$ 1,665,212
=====	=====	=====	=====	=====

See notes to financial statements.

TOWNSHIP OF POWELL

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

Year ended March 31, 2004

	Governmental Fund Types		Totals
	General	Special Revenue	(Memo Only)
Revenues:			
Taxes	\$ 188,571	\$ 83,130	\$ 271,701
Intergovernmental	51,873	-	51,873
Miscellaneous	26,015	25,159	51,174
	-----	-----	-----
TOTAL REVENUES	\$ 266,459	\$ 108,289	\$ 374,748
Expenditures:			
General government	\$ 141,253	\$ -	\$ 141,253
Public safety	24,347	3,519	27,866
Highways and streets	4,627	-	4,627
Sanitation	-	41,953	41,953
Health	21,076	8,385	29,461
Culture and recreation	11,660	14,996	26,656
	-----	-----	-----
TOTAL EXPENDITURES	\$ 202,963	\$ 68,853	\$ 271,816
	-----	-----	-----
EXCESS REVENUES (EXPENDITURES)	\$ 63,496	\$ 39,436	\$ 102,932
Fund balance at beginning of year	421,143	147,159	568,302
	-----	-----	-----
FUND BALANCE AT END OF YEAR	\$ 484,639	\$ 186,595	\$ 671,234
	=====	=====	=====

See notes to financial statements.

TOWNSHIP OF POWELL

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

Year ended March 31, 2004

	General Fund			Special Revenue		
	Budgeted	Actual	Variance - Favorable (Unfavorable)	Budgeted	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 170,000	\$ 188,571	\$ 18,571	\$ 80,000	\$ 83,130	\$ 3,130
Intergovernmental	50,000	51,873	1,873	-	-	-
Miscellaneous	16,600	26,015	9,415	25,000	25,159	159
TOTAL REVENUES	\$ 236,600	\$ 266,459	\$ 29,859	\$ 105,000	\$ 108,289	\$ 3,289
Expenditures:						
General government	\$ 233,118	\$ 141,253	\$ 91,865	\$ -	\$ -	\$ -
Public safety	28,900	24,347	4,553	5,000	3,519	1,481
Highways and street	7,500	4,627	2,873	-	-	-
Sanitation	-	-	-	45,000	41,953	3,047
Health	25,900	21,076	4,824	10,000	8,385	1,615
Culture and recreation	23,700	11,660	12,040	20,000	14,996	5,004
TOTAL EXPENDITURES	\$ 319,118	\$ 202,963	\$ 116,155	\$ 80,000	\$ 68,853	\$ 11,147
EXCESS REVENUES (EXPENDITURES)	\$ ( 82,518)	\$ 63,496	\$ 146,014	\$ 25,000	\$ 39,436	\$ 14,436
Fund balance at beginning of year		421,143			147,159	
FUND BALANCE AT END OF YEAR		\$ 484,639			\$ 186,595	

See notes to financial statements.



## TOWNSHIP OF POWELL

## COMBINED STATEMENT OF INCOME AND EXPENSES

## ALL PROPRIETARY FUND TYPES

Year ended March 31, 2004

	Proprietary Fund Types		Totals
	Water Fund	Sewer Fund	(Memo Only)
Operating income:			
Charges for services	\$ 41,881	\$ 18,146	\$ 60,027
Other income	5,499	-	5,499
	-----	-----	-----
TOTAL OPERATING INCOME	\$ 47,380	\$ 18,146	\$ 65,526
Operating expenses:			
Salaries and wages	\$ 6,388	\$ 758	\$ 7,146
Utilities	4,089	-	4,089
Professional fees	7,230	100	7,330
Operating supplies	294	240	534
Repair and maintenance	93	165	258
Dues and subscriptions	586	-	586
Insurance	3,653	1,603	5,256
Provision for depreciation	15,132	1,365	16,497
Other operating expenses	3,124	8	3,132
	-----	-----	-----
TOTAL OPERATING EXPENSES	\$ 40,589	\$ 4,239	\$ 44,828
	-----	-----	-----
OPERATING PROFIT (LOSS)	\$ 6,791	\$ 13,907	\$ 20,698
Other income (expense):			
Interest income	\$ 666	\$ 125	\$ 791
Interest expense	( 10,595)	( - )	( 10,595)
	-----	-----	-----
TOTAL OTHER INCOME (EXPENSE)	\$ ( 9,929)	\$ 125	\$ ( 9,804)
	-----	-----	-----
NET INCOME (LOSS)	\$ ( 3,138)	\$ 14,032	\$ 10,894
	=====	=====	=====

See notes to financial statements.

## TOWNSHIP OF POWELL

COMBINED STATEMENT OF CASH FLOWS -  
ALL PROPRIETARY FUND TYPES

Year ended March 31, 2004

	Proprietary Fund Types		Totals
	Water Fund	Sewer Fund	(Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) for the year	\$( 3,138)	\$ 14,032	\$ 10,894
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Provision for depreciation	15,132	1,366	16,498
(Increase) decrease in:			
Accounts receivable	( 708)	506	( 202)
Accounts payable	( 985)	-	( 985)
Due to general fund	21,526	470	21,996
Due to sewer construction	-	( 3,309)	( 3,309)
Interest payable	( 62)	-	( 62)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 31,765	\$ 13,065	\$ 44,830
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in utility plant	\$( 42,555)	\$ -	\$( 42,555)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$( 42,555)	\$ -	\$( 42,555)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on long-term debts	\$( 3,000)	\$ -	\$( 3,000)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	\$( 3,000)	\$ -	\$( 3,000)
NET INCREASE (DECREASE) IN CASH	\$( 13,790)	\$ 13,065	\$( 725)
CASH BALANCE AT APRIL 1, 2003	26,800	13,393	40,193
CASH BALANCE AT MARCH 31, 2004	\$ 13,010	\$ 26,458	\$ 39,468
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest expense	\$ 10,657	\$ -	\$ 10,657

See notes to financial statements.

TOWNSHIP OF POWELL

COMBINED STATEMENT OF CHANGES IN RETAINED EARNINGS -  
ALL PROPRIETARY FUND TYPES

Year ended March 31, 2004

	Proprietary Fund Types		Totals
	Water Fund	Sewer Fund	(Memo Only)
	-----	-----	-----
RETAINED EARNINGS - RESERVED			
Bond reserve account:			
Balance at April 1, 2003	\$ 13,648	\$ -	\$ 13,648
Transfer (to) retained earnings - unreserved	( - )	-	( - )
	-----	-----	-----
	\$ 13,648	\$ -	\$ 13,648
Bond and interest redemption account:			
Balance at April 1, 2003	\$ 8,072	\$ -	\$ 8,072
Transfer (to) retained earnings - unreserved	( - )	-	( - )
	-----	-----	-----
	\$ 8,072	\$ -	\$ 8,072
	-----	-----	-----
BALANCE AT MARCH 31, 2004	\$ 21,720	\$ -	\$ 21,720
	=====	=====	=====
RETAINED EARNINGS - UNRESERVED			
Balance at April 1, 2003	\$ ( 74,880)	\$ 11,988	\$ ( 62,892)
Net income (loss) for the year	( 3,138)	14,032	10,894
Transfer from bond reserve account	-	-	-
Transfer from bond and interest redemption account	-	-	-
	-----	-----	-----
BALANCE AT MARCH 31, 2004	\$ ( 78,018)	\$ 26,020	\$ ( 51,998)
	=====	=====	=====

See notes to financial statements.

TOWNSHIP OF POWELL

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the Township of Powell:

1. Financial Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 14 entitled "The Financial Reporting Entity" a governmental financial reporting entity consists of a primary government, such as a general purpose local government, and component units, which are defined as units for which the primary government is financially accountable. The primary government is financially accountable if it appoints a voting majority of a component's governing body, and there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

As required by generally accepted accounting principles, the financial statements of the reporting entity includes those of the Township of Powell (the primary government). However, there are no units which qualify as component units as defined above.

2. Fund Accounting

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the financial statements in this report, as follows:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Fiduciary Funds:

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township as an agent for other governmental units and other funds. These agency funds are custodial in nature and do not involve measurement of results of operations.

### Account Groups:

General Fixed Asset Account Group - This account group presents the fixed assets of the local unit utilized in its general operations.

General Long-Term Debt Account Group - This account group presents the balance of general obligation long-term debt which is not recorded in proprietary funds.

### 3. Measurement Focus

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. No depreciation has been provided on general fixed assets.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activities are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary funds balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. Fixed assets and their related accumulated depreciation, by major classification are as follows:

	Cost	Accumulated Depr.	Current Depr.	Estimated Lives
	-----	-----	-----	-----
Water distribution system	\$ 509,675	\$ 233,834	\$ 15,132	10-40 years
Sewer utility system	54,619	24,920	1,365	40 years

### 4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Agency Funds are accounted for using the cash basis of accounting. Since Agency Funds do not involve measurement of results of operations, there are no revenue or expenditure accounts.

### 5. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. In February, the Township Supervisor submits to the Township Board, a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted by resolution.
- d. Any revision that alters the original budget of any fund must be approved by the Township Board.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- f. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
- g. Budget appropriations lapse at the end of each fiscal year.
- h. Budgeted amounts are stated as originally adopted or as amended by the Township Board.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 6. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the governmental unit.

Investments are stated at cost or amortized cost.

## 7. Inventory

Inventories are not significant and have not been recognized in any of the funds.

## 8. Due from Other Funds

Due from other funds represent current interfund loans receivable and are considered "available spendable resources."

## 9. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

## NOTE B - CASH AND INVESTMENTS

The captions on the combined balance sheet relating to cash and investments and the amounts in the total "Memorandum Only" are as follows:

Total (Memorandum Only)	
Cash in bank	\$ 383,296
Investments	332,673
Restricted assets	21,720
	-----
Total	\$ 737,689
	=====
A summary of deposits by type are:	
Cash in demand accounts	\$ 165,837
Cash in savings accounts	217,459
Certificates of deposit	354,393
	-----
Total	\$ 737,689
	=====

These deposits are in three financial institutions located in the County of Marquette in varying amounts. All accounts are in the name of the Township and a specific fund or common account. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Statutory Authority

Act 217, PA 1982, authorizes the Township to deposit and invest in:

- (a) bonds and other direct obligations of the United States or its agencies
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146)
- (c) commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time
- (d) United States government or federal agency obligation repurchase agreements
- (e) banker's acceptance of United States banks
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan

The Township's investments are in accordance with statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

At year end, the Township's cash and cash equivalents bank balance was \$ 737,689 of which \$ 562,006 was insured by the Federal Deposit Insurance Corporation (FDIC) Regulation number 330.8 The remaining balance of \$ 175,683 was uninsured and uncollateralized. This regulation in summary provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 demand deposits and \$100,000 timed deposits in every financial institution that is not a branch location that is a member of the FDIC.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Investments

Investments made by the Township are summarized below. The investments that are represented by specific identifiable investments securities are classified as to credit risk within the following two categories:

Category 1: Insured or registered, or securities held by the Township or its agent in the Township's name.

Category 2: Uninsured and unregistered with securities held by the counterparty's trust department or agent in the Township's name.

Investment Type	Risk Category		Carrying Value	Market Value
	1	2		
Governmental Funds:				
Certificates of Deposit	\$ 354,393	\$ -	\$ 354,393	\$ 354,393
Total Investments	\$ 354,393	\$ -	\$ 354,393	\$ 354,393

NOTE C - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
Land, Buildings and improvements	\$205,910	\$ 5,592	\$ -	\$ 211,502
Equipment	127,615	14,257	50,073	91,799
Vehicles	64,199	-	-	64,199
	\$397,724	\$ 19,849	\$ 50,073	\$ 367,500

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - CHANGES IN LONG-TERM DEBT

Long-term debt at March 31, 2004 consisted of:

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2003
	-----	-----	-----	-----
Water Supply System - Revenue Bonds	\$ 146,000	\$ -	\$ 3,000	\$ 143,000
	-----	-----	-----	-----
Totals	\$ 146,000	\$ -	\$ 3,000	\$ 143,000
	=====	=====	=====	=====

NOTE E - WATER SYSTEM REVENUE BONDS

The Township adopted Ordinance No. 4 effective May 1, 1984 authorizing the issuance of water supply system revenue bonds. The original amount of the revenue bonds was \$ 175,000. The unpaid balance, paying interest at 7.75% per annum and maturing on June 1 of each year, is payable as follows:

\$ 4,000	2004 through 2005, inclusive	\$ 12,000
5,000	2007 through 2009, inclusive	15,000
6,000	2010 and 2011	12,000
7,000	2012 and 2013	14,000
8,000	2014 and 2015	16,000
9,000	2016 and 2017	18,000
10,000	2018	10,000
11,000	2019	11,000
10,000	2020 and 2021	20,000
5,000	2022 through 2024, inclusive	15,000
		-----
		\$ 143,000
Less current maturities		4,000
		-----
	TOTAL WATER FUND LONG-TERM DEBT	\$ 139,000
		=====

NOTE F - LONG-TERM CONTRACTS PAYABLE

The Township enters into contracts for road reconstruction with the Marquette County Road Commission. Terms of the contracts call for the Marquette County Road Commission to upgrade specified county roads with the Township paying a percentage of the actual costs over a three year period. There were no active contracts at March 31, 2004.

The Township budgets for these payments annually and records them as an expenditure in the year paid.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - PROPERTY TAXES

Property taxes are levied on December 1. The Township collects its own property taxes until mid February at which time collection is turned over to Marquette County.

The tax rates to finance general government services for the year ended March 31, 2003 were as follows

\$ 3.5049 per each \$ 1,000 of taxable valuation for general operating which computed to \$ 150,062 on the present taxable valuation of \$ 42,819,194.

\$ .9708 per each \$ 1,000 of taxable valuation for the construction of an E.M.S. Building which computed to \$ 41,565 on the present taxable valuation of \$ 42,819,194.

\$ .9708 per each \$ 1,000 of taxable valuation for the operation of the sanitation department which computed to \$ 41,565 on the present taxable valuation of \$ 42,819,194.

NOTE H - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains insurance coverage through the Michigan Township Participating Plan which covers each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three years.

NOTE I - SEWER COLLECTION SYSTEM

The Township is in the beginning stages of the construction a sewer collection system. The actual construction is anticipated to start during the spring of 2004 with completion during the fall of 2004. The total cost of the project is estimated at \$ 1,135,000 of which \$ 851,000 would be a grant from the U.S. Department of Agriculture - Rural Development and \$ 284,000 would be a loan which is to be paid over a forty year period at a 4.50% interest rate.

The Township has incurred cost of \$ 90,395 through March 31, 2004 which are reported as construction in progress until the completion of the project.

POWELL TOWNSHIP - GENERAL FUND  
STATEMENT OF BUDGETED AND ACTUAL REVENUES  
For the Year Ended March 31, 2004

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance (Favorable) Unfavorable</u>
Taxes:			
Property taxes	\$145,000	\$150,795	\$ ( 5,795)
Administrative fees	14,000	17,785	( 3,785)
Tax on State Land	1,000	2,068	( 1,068)
Commercial forest	10,000	17,923	( 7,923)
TOTAL TAXES	<u>\$170,000</u>	<u>\$188,571</u>	<u>\$ ( 18,571)</u>
Intergovernmental:			
State shared receipts:			
Sales tax	\$ 50,000	\$ 50,906	\$ ( 906)
U.S. Government -			
Refuge reimbursement	-	967	( 967)
TOTAL INTERGOVERNMENTAL	<u>\$ 50,000</u>	<u>\$ 51,873</u>	<u>\$ ( 1,873)</u>
Miscellaneous:			
Interest income	\$ 6,000	\$ 9,331	\$ ( 3,331)
Ambulance service	7,500	9,382	( 1,882)
Zoning charges	2,000	1,918	82
Sale of cemetery lots	1,000	3,350	( 2,350)
Other	100	2,034	( 1,934)
TOTAL MISCELLANEOUS	<u>\$ 16,600</u>	<u>\$ 26,015</u>	<u>\$ ( 9,415)</u>
TOTAL REVENUES	<u>\$236,600</u>	<u>\$266,459</u>	<u>\$ ( 29,859)</u>

POWELL TOWNSHIP - GENERAL FUND

STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES

For the Year Ended March 31, 2004

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance (Favorable) Unfavorable</u>
GENERAL GOVERNMENT			
Township board:			
Salaries	\$ 3,000	\$ 1,850	\$ 1,150
Miscellaneous	2,400	857	1,543
TOTAL TOWNSHIP BOARD	<u>\$ 5,400</u>	<u>\$ 2,707</u>	<u>\$ 2,693</u>
Supervisor:			
Salaries and wages:			
Supervisor	\$ 8,100	\$ 8,100	\$ -
Deputy supervisor	500	-	500
Operating supplies	500	95	405
Transportation	750	325	425
Miscellaneous	2,400	838	1,562
TOTAL SUPERVISOR	<u>\$ 12,250</u>	<u>\$ 9,358</u>	<u>\$ 2,892</u>
Clerk:			
Salaries and wages:			
Clerk	\$ 8,400	\$ 8,400	\$ -
Deputy clerk	1,500	1,438	62
Operating supplies	700	528	172
Transportation	400	315	85
Miscellaneous	3,800	2,262	1,538
TOTAL CLERK	<u>\$ 14,800</u>	<u>\$ 12,943</u>	<u>\$ 1,857</u>
Treasurer:			
Salaries and wages:			
Treasurer	\$ 6,900	\$ 6,900	\$ -
Deputy treasurer	2,000	2,318	( 318)
Operating supplies	500	127	373
Transportation	700	470	230
Miscellaneous	1,700	1,364	336
TOTAL TREASURER	<u>\$ 11,800</u>	<u>\$ 11,179</u>	<u>\$ 621</u>
Assessor:			
Salaries and wages	\$ 15,000	\$ 15,000	\$ -
Board of review	600	-	600
Tax roll preparation	9,000	5,298	3,702
Operating supplies	300	434	( 134)
Capital outlay	5,000	-	5,000
Miscellaneous	800	215	585
TOTAL ASSESSOR	<u>\$ 30,700</u>	<u>\$ 20,947</u>	<u>\$ 9,753</u>

POWELL TOWNSHIP - GENERAL FUND

STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES (CONTINUED)

For the Year Ended March 31, 2004

	<u>Budgeted</u>	<u>Actual</u>	Variance (Favorable) <u>Unfavorable</u>
GENERAL GOVERNMENT (CONTINUED)			
Township hall:			
Salaries and wages	\$ 22,000	\$ 20,407	\$ 1,593
Employee benefits	7,000	5,289	1,711
Operating supplies	3,000	1,686	1,314
Heat	6,000	813	5,187
Electricity and water	6,000	4,354	1,646
Communications	4,000	3,103	897
Repair and maintenance	10,000	547	9,453
Garbage	1,000	-	1,000
Training	1,000	296	704
Printing and publishing	1,000	804	196
Postage	1,200	390	810
Capital outlay	20,000	12,244	7,756
Dues and subscriptions	1,500	1,058	442
Vehicle expenses	2,000	1,488	512
Insurance	8,000	5,565	2,435
Legal and audit fees	10,000	5,379	4,621
Miscellaneous	5,500	2,883	2,617
TOTAL TOWNSHIP HALL	\$109,200	\$ 66,306	\$ 42,894
Election expense:			
Salaries and wages	\$ 1,000	\$ -	\$ 1,000
Operating supplies	200	99	101
Printing and publishing	1,000	-	1,000
Miscellaneous	300	105	195
TOTAL ELECTION EXPENSE	\$ 2,500	\$ 204	\$ 2,296
Planning board:			
Salaries and wages	\$ 5,318	\$ 5,394	\$ ( 76)
Printing and publishing	3,000	962	2,038
Operating supplies	500	( 35)	535
Professional fees	5,000	2,639	2,361
Miscellaneous	3,100	928	2,172
TOTAL PLANNING BOARD	\$ 16,918	\$ 9,888	\$ 7,030
Cemetery:			
Salaries and wages	\$ 2,000	\$ 495	\$ 1,505
Repair and maintenance	5,000	-	5,000
Operating supplies	300	12	288
Professional fees	1,000	-	1,000
Capital outlay	1,000	-	1,000
Miscellaneous	750	333	417
TOTAL CEMETERY	\$ 10,050	\$ 840	\$ 9,210

POWELL TOWNSHIP - GENERAL FUND

STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES (CONTINUED)

For the Year Ended March 31, 2004

	<u>Budgeted</u>	<u>Actual</u>	Variance (Favorable) <u>Unfavorable</u>
GENERAL GOVERNMENT (CONTINUED)			
Other:			
Payroll taxes	\$ 19,500	\$ 6,881	\$ 12,619
TOTAL OTHER	\$ 19,500	\$ 6,881	\$ 12,619
TOTAL GENERAL GOVERNMENT	\$233,118	\$141,253	\$ 91,865
PUBLIC SAFETY			
Fire Protection:			
Salaries and wages	\$ 3,500	\$ 2,271	\$ 1,229
Utilities	4,100	949	3,151
Gas, oil, etc.	1,000	725	275
Capital outlay	4,000	4,176	( 176)
Repair and maintenance	4,000	6,784	( 2,784)
Operating supplies	500	216	284
Communications	2,000	1,287	713
Insurance	7,000	6,339	661
Professional services	1,000	1,600	( 600)
Miscellaneous	1,800	-	1,800
TOTAL PUBLIC SAFETY	\$ 28,900	\$ 24,347	\$ 4,553
HIGHWAYS AND STREETS			
Street lighting:			
Utilities	\$ 4,500	\$ 4,627	\$ ( 127)
Contracted services:			
Road improvements	3,000	-	3,000
TOTAL HIGHWAYS AND STREETS	\$ 7,500	\$ 4,627	\$ 2,873

POWELL TOWNSHIP - GENERAL FUND

STATEMENT OF BUDGETED AND ACTUAL EXPENDITURES (CONTINUED)

For the Year Ended March 31, 2004

	<u>Budgeted</u>	<u>Actual</u>	Variance (Favorable) Unfavorable
HEALTH			
Ambulance service:			
Salaries and wages	\$ 6,700	\$ 7,312	\$ ( 612)
Operating supplies	2,000	1,874	126
Utilities	2,400	2,533	( 133)
Travel and vehicle expense	1,000	589	411
Repair and maintenance	2,000	1,347	653
Capital outlay	2,000	684	1,316
Insurance	3,500	3,039	461
Communications	1,500	871	629
Training	3,500	945	2,555
Professional services	1,000	1,882	( 882)
Miscellaneous	300	-	300
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL HEALTH	\$ 25,900	\$ 21,076	\$ 4,824
	<u>          </u>	<u>          </u>	<u>          </u>
CULTURE AND RECREATION			
Parks and recreation:			
Salaries and wages	\$ 4,150	\$ 1,611	\$ 2,539
Operating supplies	300	469	( 169)
Insurance	500	105	395
Utilities	750	365	385
Repair and maintenance	15,500	8,334	7,166
Miscellaneous	500	-	500
Capital outlay	2,000	776	1,224
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL CULTURE AND RECREATION	\$ 23,700	\$ 11,660	\$ 12,040
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL EXPENDITURES	<u>\$319,118</u>	<u>\$202,963</u>	<u>\$ 116,155</u>



## TOWNSHIP OF POWELL

## SPECIAL REVENUE FUNDS

## BALANCE SHEET

March 31, 2004

	Sewer Construc- tion Fund	E.M.S. Building Fund	Sanita- tion Fund	Other	Total
	-----	-----	-----	-----	-----
ASSETS					
-----					
Cash on hand and in banks	\$ 53,670	\$ 43,361	\$ 78,149	\$ 23,107	\$ 198,287
Due from other funds:					
General fund	-	3,682	3,682	-	7,364
Construction in progress	90,395	35,524	-	-	125,919
	-----	-----	-----	-----	-----
TOTAL ASSETS	\$ 144,065	\$ 82,567	\$ 81,831	\$ 23,107	\$ 331,570
	=====	=====	=====	=====	=====
LIABILITIES AND FUND BALANCE					
-----					
Accounts payable	\$ -	\$ -	\$ 1,666	\$ -	\$ 1,666
Due to other funds	3,309	-	-	-	3,309
Bank loan payable	140,000	-	-	-	140,000
	-----	-----	-----	-----	-----
TOTAL LIABILITIES	\$ 143,309	\$ -	\$ 1,666	\$ -	\$ 144,975
Fund balance:					
Unreserved	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	756	82,567	80,165	23,107	186,595
	-----	-----	-----	-----	-----
TOTAL FUND BALANCE	\$ 756	\$ 82,567	\$ 80,165	\$ 23,107	\$ 186,595
	-----	-----	-----	-----	-----
TOTAL LIABILITIES AND FUND BALANCE	\$ 144,065	\$ 82,567	\$ 81,831	\$ 23,107	\$ 331,570
	=====	=====	=====	=====	=====

## TOWNSHIP OF POWELL

## SPECIAL REVENUE FUNDS

## STATEMENT OF INCOME, EXPENSES , AND CHANGES IN FUND BALANCES

Year ended March 31, 2004

	Sewer Construc- tion Fund	E.M.S. Building Fund	Sanita- tion Fund	Other	Total
	-----	-----	-----	-----	-----
INCOME					
Current tax collections	\$ -	\$ 41,565	\$ 41,565	-	\$ 83,130
Interest on investments	431	247	-	204	882
Miscellaneous	-	350	774	23,153	24,277
	-----	-----	-----	-----	-----
TOTAL INCOME	\$ 431	\$ 42,162	\$ 42,339	\$ 23,357	\$ 108,289
	-----	-----	-----	-----	-----
EXPENSES					
Public safety	\$ -	\$ -	\$ -	\$ 3,519	\$ 3,519
Sanitation	-	-	41,953	-	41,953
Health	-	-	-	8,385	8,385
Culture and recreatin	-	-	-	14,996	14,996
	-----	-----	-----	-----	-----
TOTAL EXPENSES	\$ -	\$ -	\$ 41,953	\$ 26,900	\$ 68,853
	-----	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 431	\$ 42,162	\$ 386	\$ ( 3,543)	\$ 39,436
	-----	-----	-----	-----	-----
Fund balance at April 1, 2003	325	40,405	79,779	26,650	147,159
	-----	-----	-----	-----	-----
FUND BALANCE AT MARCH 31, 2004	\$ 756	\$ 82,567	\$ 80,165	\$ 23,107	\$ 186,595
	=====	=====	=====	=====	=====

TOWNSHIP OF POWELL  
COMBINING BALANCE SHEET - ENTERPRISE FUNDS

March 31, 2004

	Water Fund	Sewer Fund	Totals
	-----	-----	-----
ASSETS			
CURRENT ASSETS			
Cash:			
Operation and maintenance account	\$ 12,881	\$ 26,458	\$ 39,339
Improvement fund	129	-	129
	-----	-----	-----
TOTAL CASH	\$ 13,010	\$ 26,458	\$ 39,468
Accounts receivable	4,001	1,888	5,889
Due from sewer construction fund	-	3,309	3,309
	-----	-----	-----
TOTAL CURRENT ASSETS	\$ 17,011	\$ 31,655	\$ 48,666
RESTRICTED ASSETS			
Bond reserve account	\$ 13,648	\$ -	\$ 13,648
Bond and interest redemption account	8,072	-	8,072
	-----	-----	-----
TOTAL RESTRICTED ASSETS	\$ 21,720	\$ -	\$ 21,720
UTILITY PLANT - on the basis of cost			
Distribution system	\$509,675	\$ 54,619	\$564,294
Less accumulated depreciation	233,834	24,920	258,754
	-----	-----	-----
BOOK VALUE OF UTILITY PLANT	\$275,841	\$ 29,699	\$305,540
	-----	-----	-----
TOTAL ASSETS	\$314,572	\$ 61,354	\$375,926
	=====	=====	=====
LIABILITIES AND FUND EQUITY			
CURRENT LIABILITIES			
Payable from current assets:			
Accounts payable	\$ -	\$ -	\$ -
Due to general fund	28,055	8,334	36,389
Current portion of long-term debt	4,000	-	4,000
Accrued revenue bond interest	3,515	-	3,515
	-----	-----	-----
TOTAL CURRENT LIABILITIES	\$ 35,570	\$ 8,334	\$ 43,904
LONG-TERM LIABILITIES	139,000	-	139,000
FUND EQUITY			
Contributed capital	\$196,300	\$ 27,000	\$223,300
Retained earnings:			
Reserved	21,720	-	21,720
Unreserved	(78,018)	26,020	( 51,998)
	-----	-----	-----
TOTAL FUND EQUITY	\$140,002	\$ 53,020	\$193,022
	-----	-----	-----
TOTAL LIABILITIES AND FUND EQUITY	\$314,572	\$ 61,354	\$375,926
	=====	=====	=====

## TOWNSHIP OF POWELL

## COMBINING STATEMENT OF INCOME, EXPENSES AND CHANGES IN FUND BALANCES

## ENTERPRISE FUNDS

Year ended March 31, 2004

	Water Fund	Sewer Fund	Totals
	-----	-----	-----
Operating - income:			
Charges for services	\$ 41,881	\$ 18,146	\$ 60,027
Other income	5,499	-	5,499
	-----	-----	-----
TOTAL OPERATING INCOME	\$ 47,380	\$ 18,146	\$ 65,526
Operating expenses:			
Salaries and wages	\$ 6,388	\$ 758	\$ 7,146
Utilities	4,089	-	4,089
Professional fees	7,230	100	7,330
Operating supplies	294	240	534
Repair and maintenance	93	165	258
Dues and subscriptions	586	-	586
Insurance	3,653	1,603	5,256
Provision for depreciation	15,132	1,365	16,497
Other operating expenses	3,124	8	3,132
	-----	-----	-----
TOTAL OPERATING EXPENSES	\$ 40,589	\$ 4,239	\$ 44,828
	-----	-----	-----
OPERATING PROFIT (LOSS)	\$ 6,791	\$ 13,907	\$ 20,698
Other income (expense):			
Interest income	\$ 666	\$ 125	\$ 791
Interest expense	( 10,595)	( - )	( 10,595)
	-----	-----	-----
TOTAL OTHER INCOME (EXPENSE)	\$ ( 9,929)	\$ 125	\$ ( 9,804)
	-----	-----	-----
NET INCOME (LOSS)	\$ ( 3,138)	\$ 14,032	\$ 10,894
Fund balance at April 1, 2003	143,140	38,988	182,128
	-----	-----	-----
FUND BALANCE AT MARCH 31, 2004	\$ 140,002	\$ 53,020	\$ 193,022
	=====	=====	=====

TOWNSHIP OF POWELL

COMBINING STATEMENT OF ASSETS AND LIABILITIES -

ALL FIDUCIARY FUNDS

March 31, 2004

	Agency Funds		
	Current Tax Collection	Trust and Agency	Totals
ASSETS			
Cash - demand deposits	\$ 94,886	\$ 286	\$ 95,172
	-----	-----	-----
TOTAL ASSETS	\$ 94,886	\$ 286	\$ 95,172
	=====	=====	=====
LIABILITIES			
Due to other funds	\$ 54,889	\$ 286	\$ 55,175
Due to other governmental units	39,997	-	39,997
	-----	-----	-----
TOTAL LIABILITIES	\$ 94,886	\$ 286	\$ 95,172
	=====	=====	=====

## TOWNSHIP OF POWELL

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -

## ALL AGENCY FUNDS

Year ended March 31, 2004

	Balance at 4-1-03 -----	Additions -----	Deductions -----	Balance at 3-31-04 -----
CURRENT TAX COLLECTION FUND -----				
ASSETS				
Cash	\$ 202,573 =====	\$1,422,436 =====	\$1,530,123 =====	\$ 94,886 =====
LIABILITIES				
Due to other funds	\$ 202,573	\$ 254,838	\$ 402,522	\$ 54,889
Due to State	-	58,937	33,879	25,058
Due to County	-	479,030	468,049	10,981
Due to Schools	-	629,631	625,673	3,958
	-----	-----	-----	-----
TOTAL LIABILITIES	\$ 202,573 =====	\$1,422,436 =====	\$1,530,123 =====	\$ 94,886 =====
TRUST AND AGENCY FUND -----				
ASSETS				
Cash	\$ 1,727 =====	\$ 19,924 =====	\$ 21,365 =====	\$ 286 =====
LIABILITIES				
Due to other funds	\$ 1,727	\$ 269	\$ 1,710	\$ 286
Accrued and withheld payroll taxes	-	19,655	19,655	-
	-----	-----	-----	-----
TOTAL LIABILITIES	\$ 1,727 =====	\$ 19,924 =====	\$ 21,365 =====	\$ 286 =====

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Michigan Association of C.P.A.'s

REPORT ON INTERNAL ACCOUNTING CONTROLS BASED SOLELY  
ON A STUDY AND EVALUATION MADE AS A PART OF AN AUDIT OF  
THE GENERAL PURPOSE FINANCIAL STATEMENTS

Honorable Supervisor and Members  
Township of Powell Board  
Big Bay, Michigan

I have audited the general purpose financial statements of the TOWNSHIP OF POWELL for the year ended March 31, 2004, and have issued my report thereon dated August 13, 2004. As part of my audit, I made a study and evaluation of the system of internal accounting control of the TOWNSHIP OF POWELL to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities and Functions. For the purpose of this report, I have classified the significant internal accounting controls in the following categories:

Cycles of the Entities Activity	Financial Statement Captions	Accounting Applications
Revenue/Receipts	Cash and Equivalents	Receivables
Purchases/ Disbursements	Receivables	Cash Receipts
Payables and Accrued Liabilities	Property and Equipment	Accounts Payable
Debt		Cash Disbursements
Fund Balance		Payroll
		General Ledger

My study included all of the control categories listed above. The purpose of my study and evaluations was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the TOWNSHIP OF POWELL is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from authorized use or disposition, and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected.

Also projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the TOWNSHIP OF POWELL, taken as a whole or on any of the categories of controls identified in the first paragraph. However, my study and evaluation disclosed the following conditions that I believe result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the TOWNSHIP OF POWELL, may occur and not be detected within a timely period.

1. During the fiscal year ended March 31, 2004, there were differences between the Treasurer's records and the Clerk's records for the end of month cash balances. These differences were due to the Treasurer creating accounts and making investments for the general fund directly from the current tax collection account without being first recorded in the general fund. In the future, all monies belonging to the general fund must be deposited into the general fund operating account and then new accounts or investments can be made. Payment of tax collection money is required to be made twice a month to the proper taxing authority, namely the County of Marquette, and the School Districts. It is recommended that the tax collections for the Powell Township General, E.M.S. Building, and Sanitation funds be paid at these same times.

2. As of March 31, 2004, there was a balance in the Current Tax Collection account of \$ 94,886.17 which belonged to the Powell Township General, E.M.S. Building, and Sanitation funds as well as amounts due to Marquette County, the State of Michigan, and the schools. This account is required to be closed out immediately after the tax collection period ends and should remain inactive until the next tax collection period.

3. During the course of my examination, nothing came to my attention to indicate any improper or illegal action on the part of the Township officials or employees except as noted above.

Because of the limited staff of the Township, it is impossible to totally separate all of the accounting functions that are normally separated as a part of a good system of internal control. Other controls, although not as effective, have been adopted and are currently being utilized.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in my examination of the 2003-04 financial statements, and this report does not affect my report on the financial statements dated August 13, 2004.

This report is intended solely for the use of management and should not be used for any other purpose.

  
Certified Public Accountant



TOWNSHIP OF POWELL

REQUIRED STATEMENT

WATER FUND

March 31, 2004

The following comments cover the specific items required by Farmers Home Administration.

1. My examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records as I considered necessary in the circumstances.
2. I have evaluated the existing system of internal control for the purpose of determining my reliance thereon and for determining the extent of the tests to which auditing procedures are to be restricted.
3. I found the accounting records to be adequate to handle the types and volume of transactions currently being required.
4. The current controls over physical assets are adequate to provide for their safekeeping.
5. The Township has complied with all other provisions of the loan agreement.
6. The financial statements included in the Report of Examination are in agreement with the accounting records. There were not any material or unusual adjustments that were required to be made.
7. All deposit funds are in an institution insured by the Federal government.

REQUIRED STATEMENT (CONTINUED)

8. The Township maintains the following insurance coverages:

Coverage	Amount
-----	-----
Property insurance:	
Water tower	\$ 150,000
Water department pumphouse	35,000
Comprehensive general liability:	
Bodily injury	2,000,000
Property damage	2,000,000
Workmens compensation	Statutory
Employers liability:	
Bodily injury by accident	100,000
Bodily injury by disease	500,000
Commercial catastrophe liability policy (umbrella liability)	1,000/1,000,000
Surety Bonds:	
Treasurer	25,000
Deputy treasurer	15,000
Clerk and deputy clerk	10,000
Supervisor	5,000

9. The Township, as a governmental unit of the State of Michigan is exempt from Federal income tax.
10. There were no unsatisfactory conditions disclosed by the audit.
11. An aging of accounts receivable as of March 31, 2004 is as follows:

0 - 30 days	\$ 2,326
31 to 60 days	785
61 to 90 days	340
91 days and over	550
	-----
	\$ 4,001
	=====

THOMAS R. FLEURY  
Certified Public Accountant

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Member  
American Institute of C.P.A.'s  
Michigan Association of C.P.A.'s

August 13, 2004

The Honorable Supervisor and  
Members of the Township Board  
Township of Powell  
Big Bay, Michigan

I have audited the general purpose financial statements of the Township of Powell for the year ended March 31, 2003 and have issued my report thereon dated August 13, 2004. As part of my audit, I made a study and evaluation of the internal accounting control system to the extent I considered necessary to determine the nature, timing and extent of my auditing procedures. During my evaluation, I observed the following areas that require improvement or change in order to improve internal accounting controls.

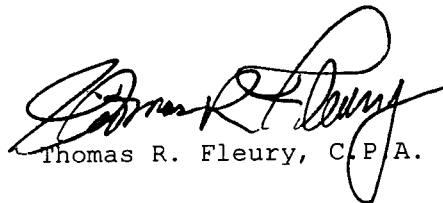
RECORDING OF CASH ACTIVITY

In last years comments letter, I recommended that the Clerk and Treasurer adopt the same methods for recording cash activity. At this time, that has been completed. However, the records of the Clerk and Treasurer are not being reconciled on a monthly basis. This created problems at year end and required additional audit time to correct any errors that occurred during the year.

MONTHLY BUDGET REPORTS

A very important accounting tool for the Township Board is a monthly budget report. This report allows the Township Board to monitor revenues and expenditures and compare them to the budget amounts that were approved at the beginning of the year. It also allows for the amending of those budgets when necessary.

Sincerely,



Thomas R. Fleury, C.P.A.